

# HOUSE BILL 392

I4, I3

0lr1070  
CF SB 701

---

By: **Delegates Vaughn, Barkley, Bobo, Bronrott, Gutierrez, Hecht, Heller, Huckler, James, Jameson, Kaiser, Kirk, Kramer, Krysiak, Kullen, Lee, Levy, Manno, Minnick, Reznik, and Waldstreicher**

Introduced and read first time: January 29, 2010

Assigned to: Economic Matters

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: April 3, 2010

---

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Commercial Law – Debt Settlement Services – Study**

3 FOR the purpose of ~~prohibiting a person from offering, providing, or attempting to~~  
4 ~~provide debt settlement services in the State except as allowed under this Act;~~  
5 ~~prohibiting a debt settlement services provider from receiving certain funds or~~  
6 ~~payments or imposing certain fees or charges on a consumer, except for certain~~  
7 ~~fees for certain services, until a debt settlement services agreement is executed~~  
8 ~~and the debt settlement services are completed; limiting to a certain amount the~~  
9 ~~fee that a debt settlement services provider may charge for debt settlement~~  
10 ~~services; prohibiting a debt settlement services provider from charging a fee for~~  
11 ~~certain services or to rescind a debt settlement services agreement; prohibiting~~  
12 ~~a debt settlement services provider from making a certain representation;~~  
13 ~~requiring or advising a consumer to stop making certain payments, or requiring~~  
14 ~~a consumer to make a certain contribution; requiring that a debt settlement~~  
15 ~~services agreement be signed and dated by the debt settlement services provider~~  
16 ~~and the consumer and include certain information and disclosures; requiring~~  
17 ~~that an advertisement for debt settlement services include certain disclosures;~~  
18 ~~providing that a violation of this Act is an unfair or deceptive trade practice~~  
19 ~~within the meaning of the Maryland Consumer Protection Act and is subject to~~  
20 ~~certain enforcement and penalty provisions; providing for the application of this~~  
21 ~~Act; establishing a certain short title; defining certain terms; requiring the~~  
22 Office of the Commissioner of Financial Regulation in the Department of Labor,  
23 Licensing, and Regulation, in consultation with the Consumer Protection

---

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



Division of the Office of the Attorney General, to conduct a study of the debt settlement services industry; requiring the study to determine how best to regulate the debt settlement services industry in the State; requiring the Office, in consultation with the Division, to establish a workgroup comprised of certain representatives; requiring the Office, in consultation with the Division, to report certain findings and recommendations on or before a certain date to certain committees of the General Assembly; and generally relating to debt settlement services and debt settlement services providers.

~~BY repealing and reenacting, with amendments,  
Article — Commercial Law  
Section 13-301(14)(xxvi)  
Annotated Code of Maryland  
(2005 Replacement Volume and 2009 Supplement)~~

~~BY repealing and reenacting, without amendments,  
Article — Commercial Law  
Section 13-301(14)(xxvii)  
Annotated Code of Maryland  
(2005 Replacement Volume and 2009 Supplement)~~

~~BY adding to  
Article — Commercial Law  
Section 13-301(14)(xxviii); and 14-3801 through 14-3811 to be under the new  
subtitle “Subtitle 38. Debt Settlement Services Act”  
Annotated Code of Maryland  
(2005 Replacement Volume and 2009 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That ~~the Laws of Maryland read as follows:~~

(a) (1) The Office of the Commissioner of Financial Regulation in the Department of Labor, Licensing, and Regulation, in consultation with the Consumer Protection Division of the Office of the Attorney General, shall conduct a study of the debt settlement services industry.

(2) The study shall determine how the debt settlement services industry would best be regulated in the State, including the option of establishing a licensure requirement, and the fiscal impact of regulating the industry if licensure were required.

(b) In conducting its study, the Office of the Commissioner of Financial Regulation, in consultation with the Consumer Protection Division, shall establish a workgroup that is comprised of representatives of relevant stakeholders, including:

(1) representatives of:



~~1 PROCESSING OF ANY APPLICATION THAT THE CONSUMER MAKES FOR DEBT  
2 SETTLEMENT SERVICES.~~

~~3 (C) "CONSUMER" MEANS AN INDIVIDUAL WHO:~~

~~4 (1) RESIDES IN THE STATE; AND~~

~~5 (2) IS SEEKING DEBT SETTLEMENT SERVICES OR HAS ENTERED  
6 INTO A DEBT SETTLEMENT SERVICES AGREEMENT.~~

~~7 (D) "DEBT MANAGEMENT SERVICES" HAS THE MEANING STATED IN §  
8 12-901 OF THE FINANCIAL INSTITUTIONS ARTICLE.~~

~~9 (E) (1) "DEBT SETTLEMENT SERVICES" MEANS ACTING OR OFFERING  
10 OR ATTEMPTING TO ACT FOR CONSIDERATION AS AN INTERMEDIARY BETWEEN  
11 A CONSUMER AND THE CONSUMER'S CREDITORS FOR THE PURPOSE OF  
12 SETTLING OR IN ANY WAY ALTERING THE TERMS OF PAYMENT OF ANY DEBT.~~

~~13 (2) "DEBT SETTLEMENT SERVICES" DOES NOT INCLUDE DEBT  
14 MANAGEMENT SERVICES.~~

~~15 (F) "DEBT SETTLEMENT SERVICES AGREEMENT" MEANS A WRITTEN  
16 CONTRACT, PLAN, OR AGREEMENT BETWEEN A DEBT SETTLEMENT SERVICES  
17 PROVIDER AND A CONSUMER FOR THE PERFORMANCE OF DEBT SETTLEMENT  
18 SERVICES.~~

~~19 (G) "DEBT SETTLEMENT SERVICES FEE" MEANS A FEE EARNED BY A  
20 DEBT SETTLEMENT SERVICES PROVIDER FOR PERFORMING DEBT SETTLEMENT  
21 SERVICES FOR A CONSUMER.~~

~~22 (H) "DEBT SETTLEMENT SERVICES PROVIDER" MEANS A PERSON THAT  
23 PROVIDES OR OFFERS TO PROVIDE DEBT SETTLEMENT SERVICES TO A  
24 CONSUMER.~~

~~25 14-3802.~~

~~26 THE PROVISIONS OF THIS SUBTITLE ARE IN ADDITION TO AND NOT IN  
27 SUBSTITUTION FOR ANY OTHER PROVISION OF LAW.~~

~~28 14-3803.~~

~~29 THIS SUBTITLE DOES NOT APPLY TO:~~

1           ~~(1) THE FOLLOWING PERSONS WHEN ENGAGED IN THE REGULAR~~  
2 ~~COURSE OF THEIR RESPECTIVE BUSINESSES AND PROFESSIONS:~~

3           ~~(I) AN ATTORNEY AT LAW WHO IS ADMITTED TO PRACTICE~~  
4 ~~IN THE STATE AND IS NOT PRINCIPALLY ENGAGED IN PROVIDING DEBT~~  
5 ~~SETTLEMENT SERVICES;~~

6           ~~(II) AN ESCROW AGENT;~~

7           ~~(III) A CERTIFIED PUBLIC ACCOUNTANT;~~

8           ~~(IV) A BANKING INSTITUTION, OTHER STATE BANK,~~  
9 ~~NATIONAL BANKING ASSOCIATION, CREDIT UNION, OR SAVINGS AND LOAN~~  
10 ~~ASSOCIATION;~~

11           ~~(V) A PERSON THAT:~~

12                   ~~1. PROVIDES A BILL PAYER SERVICE, AS DEFINED IN~~  
13 ~~§ 12 401 OF THE FINANCIAL INSTITUTIONS ARTICLE;~~

14                   ~~2. DOES NOT INITIATE ANY CONTRACT WITH~~  
15 ~~INDIVIDUAL CREDITORS OF A DEBTOR TO COMPROMISE A DEBT OR ARRANGE A~~  
16 ~~NEW PAYMENT SCHEDULE; AND~~

17                   ~~3. DOES NOT PROVIDE ANY DEBT COUNSELING~~  
18 ~~SERVICES;~~

19           ~~(VI) A PERSON THAT PROVIDES AN ACCELERATED~~  
20 ~~MORTGAGE PAYMENT SERVICE, AS DEFINED IN § 12 401 OF THE FINANCIAL~~  
21 ~~INSTITUTIONS ARTICLE;~~

22           ~~(VII) A TITLE INSURER, TITLE INSURANCE AGENCY, OR~~  
23 ~~ABSTRACT COMPANY; OR~~

24           ~~(VIII) A JUDICIAL OFFICER OR A PERSON ACTING UNDER A~~  
25 ~~COURT ORDER;~~

26           ~~(2) A PERSON WHILE PERFORMING SERVICES INCIDENTAL TO~~  
27 ~~THE DISSOLUTION, WINDING UP, OR LIQUIDATION OF A PARTNERSHIP,~~  
28 ~~CORPORATION, OR OTHER BUSINESS ENTERPRISE;~~

29           ~~(3) A TRADE OR MERCANTILE ASSOCIATION ACTING IN THE~~  
30 ~~COURSE OF ARRANGING THE ADJUSTMENT OF DEBTS WITH A BUSINESS~~  
31 ~~ESTABLISHMENT; OR~~

1 ~~(4) A MORTGAGE LENDER, AS DEFINED IN § 11 501 OF THE~~  
2 ~~FINANCIAL INSTITUTIONS ARTICLE;~~

3 ~~(i) THAT IS LICENSED BY THE COMMISSIONER OF~~  
4 ~~FINANCIAL REGULATION; AND~~

5 ~~(ii) WHILE ENGAGED IN THE MORTGAGE LENDING~~  
6 ~~BUSINESS AS DEFINED IN § 11 501 OF THE FINANCIAL INSTITUTIONS ARTICLE.~~

7 ~~14 3804.~~

8 ~~A PERSON MAY NOT OFFER, PROVIDE, OR ATTEMPT TO PROVIDE DEBT~~  
9 ~~SETTLEMENT SERVICES IN THE STATE EXCEPT AS ALLOWED UNDER THIS~~  
10 ~~SUBTITLE.~~

11 ~~14 3805.~~

12 ~~(A) EXCEPT AS PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS~~  
13 ~~SECTION, A DEBT SETTLEMENT SERVICES PROVIDER MAY NOT IMPOSE ANY FEES~~  
14 ~~OR OTHER CHARGES ON A CONSUMER, OR RECEIVE ANY FUNDS OR OTHER~~  
15 ~~PAYMENTS ON BEHALF OF A CONSUMER, IN CONNECTION WITH THE PROVISION~~  
16 ~~OF DEBT SETTLEMENT SERVICES UNTIL AFTER:~~

17 ~~(1) THE DEBT SETTLEMENT SERVICES PROVIDER AND THE~~  
18 ~~CONSUMER HAVE EXECUTED A WRITTEN DEBT SETTLEMENT SERVICES~~  
19 ~~AGREEMENT; AND~~

20 ~~(2) THE DEBT SETTLEMENT SERVICES HAVE BEEN COMPLETED.~~

21 ~~(B) (1) A DEBT SETTLEMENT SERVICES PROVIDER MAY CHARGE A~~  
22 ~~CONSULTATION FEE NOT EXCEEDING \$50.~~

23 ~~(2) THE COST OF A CREDIT REPORT ON A CONSUMER SHALL BE~~  
24 ~~PAID FROM THE CONSULTATION FEE PAID BY THE CONSUMER.~~

25 ~~(C) A DEBT SETTLEMENT SERVICES PROVIDER MAY CHARGE A~~  
26 ~~CONSUMER A FEE NOT EXCEEDING \$50 FOR A COUNSELING SESSION, AN~~  
27 ~~EDUCATIONAL PROGRAM, OR MATERIALS AND SUPPLIES IF THE CONSUMER~~  
28 ~~DOES NOT ENTER INTO A DEBT SETTLEMENT SERVICES AGREEMENT WITH THE~~  
29 ~~DEBT SETTLEMENT SERVICES PROVIDER.~~

30 ~~(D) (1) ON COMPLETION OF DEBT SETTLEMENT SERVICES PROVIDED~~  
31 ~~UNDER A DEBT SETTLEMENT SERVICES AGREEMENT, A DEBT SETTLEMENT~~

1 ~~SERVICES PROVIDER MAY CHARGE A DEBT SETTLEMENT SERVICES FEE IN~~  
2 ~~ACCORDANCE WITH PARAGRAPH (2) OF THIS SUBSECTION.~~

3 ~~(2) THE DEBT SETTLEMENT SERVICES FEE MAY NOT EXCEED 15%~~  
4 ~~OF THE TOTAL AMOUNT BY WHICH THE CONSUMER'S DEBT TO THE CONSUMER'S~~  
5 ~~CREDITORS, AS SPECIFIED IN THE DEBT SETTLEMENT SERVICES AGREEMENT,~~  
6 ~~WAS REDUCED DUE TO THE DEBT SETTLEMENT SERVICES PROVIDED UNDER~~  
7 ~~THE DEBT SETTLEMENT SERVICES AGREEMENT.~~

8 ~~14-3806.~~

9 ~~EXCEPT AS PROVIDED IN § 14-3805(B) AND (C) OF THIS SUBTITLE, A DEBT~~  
10 ~~SETTLEMENT SERVICES PROVIDER MAY NOT CHARGE A FEE TO:~~

11 ~~(1) PREPARE A FINANCIAL ANALYSIS OR AN INITIAL BUDGET~~  
12 ~~PLAN FOR A CONSUMER;~~

13 ~~(2) COUNSEL A CONSUMER ABOUT DEBT MANAGEMENT OR DEBT~~  
14 ~~SETTLEMENT;~~

15 ~~(3) PROVIDE A CONSUMER WITH A CONSUMER EDUCATION~~  
16 ~~PROGRAM; OR~~

17 ~~(4) RESCIND A DEBT SETTLEMENT SERVICES AGREEMENT.~~

18 ~~14-3807.~~

19 ~~A DEBT SETTLEMENT SERVICES PROVIDER MAY NOT:~~

20 ~~(1) MAKE A REPRESENTATION THAT A CONSUMER'S DEBT WILL~~  
21 ~~BE SETTLED FOR A SPECIFIC AMOUNT OR REDUCED BY A SPECIFIC~~  
22 ~~PERCENTAGE;~~

23 ~~(2) REQUIRE OR ADVISE A CONSUMER TO STOP MAKING~~  
24 ~~PAYMENTS TO A CREDITOR OF THE CONSUMER; OR~~

25 ~~(3) REQUIRE A VOLUNTARY CONTRIBUTION FROM A CONSUMER~~  
26 ~~FOR ANY SERVICE PROVIDED TO THE CONSUMER BY THE DEBT SETTLEMENT~~  
27 ~~SERVICES PROVIDER.~~

28 ~~14-3808.~~

29 ~~A DEBT SETTLEMENT SERVICES AGREEMENT SHALL:~~

1           ~~(1) BE SIGNED AND DATED BY THE DEBT SETTLEMENT SERVICES~~  
2 ~~PROVIDER AND THE CONSUMER;~~

3           ~~(2) INCLUDE, IN AT LEAST 12 POINT TYPE:~~

4           ~~(I) THE NAME, ADDRESS, AND TELEPHONE NUMBER OF~~  
5 ~~THE CONSUMER;~~

6           ~~(II) THE NAME, ADDRESS, AND TELEPHONE NUMBER OF~~  
7 ~~THE DEBT SETTLEMENT SERVICES PROVIDER;~~

8           ~~(III) A DESCRIPTION OF THE DEBT SETTLEMENT SERVICES~~  
9 ~~TO BE PROVIDED TO THE CONSUMER AND, SUBJECT TO THE PROVISIONS OF~~  
10 ~~THIS SUBTITLE, ANY FEES TO BE CHARGED TO THE CONSUMER FOR THE DEBT~~  
11 ~~SETTLEMENT SERVICES;~~

12           ~~(IV) THE IDENTITY OF EACH CREDITOR WHOSE DEBTS ARE~~  
13 ~~TO BE SETTLED UNDER THE DEBT SETTLEMENT SERVICES AGREEMENT AND~~  
14 ~~THE AMOUNT OF THE DEBT OWED TO EACH CREDITOR;~~

15           ~~(V) THE NAME AND ADDRESS OF THE FINANCIAL~~  
16 ~~INSTITUTION, IF ANY, IN WHICH FUNDS, DEPOSITED BY OR ON BEHALF OF THE~~  
17 ~~CONSUMER FOR DISBURSEMENT TO THE CONSUMER'S CREDITORS, WILL BE~~  
18 ~~HELD;~~

19           ~~(VI) A DISCLOSURE THAT ENTERING INTO A DEBT~~  
20 ~~SETTLEMENT SERVICES AGREEMENT WILL NOT STOP COLLECTION EFFORTS BY~~  
21 ~~THE CONSUMER'S CREDITORS;~~

22           ~~(VII) A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES~~  
23 ~~PROVIDER IS PROHIBITED BY LAW FROM REPRESENTING THAT IT CAN SETTLE A~~  
24 ~~CONSUMER'S DEBT FOR A SPECIFIED AMOUNT OR REDUCE A CONSUMER'S DEBT~~  
25 ~~BY A SPECIFIED PERCENTAGE;~~

26           ~~(VIII) A DISCLOSURE THAT EXECUTION OF A DEBT~~  
27 ~~SETTLEMENT SERVICES AGREEMENT MAY IMPACT THE CONSUMER'S CREDIT~~  
28 ~~RATING AND CREDIT SCORES;~~

29           ~~(IX) A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES~~  
30 ~~PROVIDER MAY NOT REQUIRE OR ADVISE A CONSUMER TO STOP MAKING~~  
31 ~~PAYMENTS TO ANY CREDITOR OF THE CONSUMER;~~

1                   ~~(X) A DISCLOSURE THAT THE CONSUMER MAY BE~~  
2 ~~REQUIRED TO PAY TAXES ON THE AMOUNT BY WHICH THE CONSUMER'S DEBT IS~~  
3 ~~REDUCED; AND~~

4                   ~~(XI) A DISCLOSURE THAT A DEBT SETTLEMENT SERVICES~~  
5 ~~PROVIDER MAY NOT REQUIRE A VOLUNTARY CONTRIBUTION FROM A CONSUMER~~  
6 ~~FOR ANY SERVICE PROVIDED TO THE CONSUMER BY THE DEBT SETTLEMENT~~  
7 ~~SERVICES PROVIDER.~~

8 ~~14-3809.~~

9                   ~~AN ADVERTISEMENT FOR DEBT SETTLEMENT SERVICES SHALL CLEARLY~~  
10 ~~AND CONSPICUOUSLY INCLUDE THE DISCLOSURES SET FORTH IN §~~  
11 ~~14-3808(2)(VI) THROUGH (X) OF THIS SUBTITLE.~~

12 ~~14-3810.~~

13                   ~~A VIOLATION OF THIS SUBTITLE IS:~~

14                   ~~(1) AN UNFAIR OR DECEPTIVE TRADE PRACTICE WITHIN THE~~  
15 ~~MEANING OF TITLE 13 OF THIS ARTICLE; AND~~

16                   ~~(2) SUBJECT TO THE ENFORCEMENT AND PENALTY PROVISIONS~~  
17 ~~OF TITLE 13 OF THIS ARTICLE.~~

18 ~~14-3811.~~

19                   ~~THIS SUBTITLE MAY BE CITED AS THE DEBT SETTLEMENT SERVICES ACT.~~

20                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
21 ~~October~~ July 1, 2010.

Approved:

\_\_\_\_\_  
Governor.

\_\_\_\_\_  
Speaker of the House of Delegates.

\_\_\_\_\_  
President of the Senate.